

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA TELECOMMUNICATIONS SERVICES, INC., d/b/a IOWA TELECOM	DOCKET NO. RPU-02-4 (TF-02-224, TF-02-225, TF-02-226, TF-02-227)
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**ORDER DOCKETING FILING, SUSPENDING TARIFFS, WAIVING RULE,
AND ESTABLISHING PROCEDURAL SCHEDULE**

(Issued June 17, 2002)

On May 24, 2002, Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom), filed with the Utilities Board (Board) proposed increases in its prices for basic monthly services, both residential and business, in all three of its service territories. In the cover letter accompanying the filing, Iowa Telecom states the filing is being made pursuant to Senate File 429, Section 3, of the most recent legislative session, to be codified as Iowa Code § 476.97(11)"h," which provides as follows:

h. The board may review a local exchange carrier's operation under this subsection, with notice and an opportunity for hearing, after four years of the carrier's election to be price-regulated. The local exchange carrier, consumer advocate, or any person may propose, and the board may approve, any reasonable modifications to the price-regulation requirements in this subsection as a result of the specific carrier review, with the following limitations:

(1) Such modifications shall not require a reduction in the rates for any basic communications service or a return to rate-base, rate-of-return regulation.

(2) Such proposals for modifications under this paragraph "h" are limited to no more than one every three years.

The board shall approve, or approve subject to modification, a proposal for modification within one hundred eighty days of filing, but for good cause may grant one extension of sixty days, not to exceed a total of two hundred forty days. Reasonable modifications may include increases without offsetting decreases in any rate for basic and nonbasic communications service of the carrier. In reviewing the carrier's proposal, the board shall consider, but not be limited to, potential rate consolidations, the impact of competition or other external factors since election of price regulation, the impact of the proposal on the carrier's ability to attract capital, and the impact of the proposal on the ability of the carrier to deploy advanced telecommunications services.

Iowa Telecom proposes to increase rates for basic communications services without offsetting decreases in order to increase its revenues and equalize its rates throughout Iowa.

As a result of past mergers and transactions, Iowa Telecom has three separate rate zones, formerly served by United Telephone Company of Iowa (United), Contel of Iowa, Inc. (Contel Iowa), and GTE North, Inc. (GTE North). The aggregation of these separate service territories began in 1989, when United transferred its Iowa properties to Contel of Kansas, Inc., in exchange for certain properties in Kansas.¹ These properties, which were known as Contel Systems of Iowa, Inc. (Contel Systems), maintained rates that were separate from the rates of the existing Contel Iowa properties.

¹ Re: United Telephone Company of Iowa, Inc., and Contel of Kansas, Inc., Docket No. SPU-89-3.

The United-Contel transaction was followed by the 1990 filing of a proposed merger of GTE Corp. and Contel Corp., the parent companies of GTE North, Contel Iowa, and Contel Systems.² While the parent companies were merged, the three Iowa systems continued to provide separate telecommunications services.

The territorial authorities of GTE North, Contel Iowa, and Contel Systems were transferred to GTE Midwest Inc. (GTE Midwest) in 1992, as a follow-up to the merger of GTE Corp. and Contel Corp.³ As a part of that transfer, the tariffs of the three different operating entities were merged, but GTE Midwest was permitted to maintain separate rate zones based upon the service territories of its three predecessors.

In 1995, GTE Midwest filed for price regulation pursuant to Iowa Code § 476.97(11).

Finally, in 2000 GTE Midwest sold all 296 of its exchanges in Iowa to Iowa Telecom, which maintained the three separate rate zones, now referred to as Iowa Telecom exchanges, Iowa Telecom North exchanges, and Iowa Telecom Systems exchanges.⁴ Iowa Telecom now proposes to increase its permanent rates for basic residential and business communications services, identified as TF-02-225, TF-02-226, and TF-02-227, in all three territories to arrive at a consolidated rate structure with prices that are higher than it currently charges in any zone.⁵ Iowa

² Re: GTE Corp. and Contel Corp., Docket No. SPU-90-7.

³ Re: GTE North, Inc., Contel of Iowa, Inc., Contel of Kansas, Inc., and GTE Midwest, Docket No. SPU-92-16.

⁴ Re: GTE Midwest Inc. and Iowa Telecommunications Services, Inc., Docket No. SPU-99-29.

⁵ There are two classes of exceptions. Iowa Telecom does not propose to increase prices in 33 exchanges where it faces competition from another wireline local exchange carrier or in two exchanges it proposes to sell to another local exchange carrier.

Telecom proposes to implement the increases in annual phases over a period of two or three years, depending upon the rate zone. Under Iowa Telecom's proposal, the proposed basic residential and business rates in each of the zones would be increased as follows:

<u>Zone and class</u>	<u>Current rate</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Iowa Telecom residential	\$14.13	\$16.95	\$18.95	\$18.95
Iowa Telecom business	\$27.87	\$29.95	\$31.95	\$31.95
North System residential	\$12.62	\$16.95	\$18.95	\$18.95
North System business	\$25.22	\$29.95	\$31.95	\$31.95
IT Systems residential	\$ 8.92	\$12.95	\$15.95	\$18.95
IT Systems business	\$15.64	\$21.95	\$26.95	\$31.95

Iowa Telecom has also proposed a temporary rate increase, identified as TF-02-224, pursuant to § 4 of Senate File 429 (to be codified as § 476.97(11)j").

That section requires that the Board grant Iowa Telecom temporary authority to place 75 percent of its requested increase into effect 30 days after the date of filing and continuing while this docket is pending, conditioned upon the refund, with interest and in a manner to be prescribed by the Board, of any amounts collected from any customer class which are in excess of the amounts that would have been collected under the rates finally approved by the Board. Iowa Telecom has filed a bond in support of its request. The Board will rule on TF-02-224 in a subsequent order.

To allow the Board time to fully consider the proposed increase, the proposed tariffs with permanent rates will be suspended and the filing will be docketed as a

formal proceeding identified as Docket No. RPU-02-4, pursuant to Iowa Code ch. 476 (2001) as amended by Senate File 429.

The Board finds the limited time available for this proceeding means the 14-day period for responding to motions, set forth in 199 IAC 7.7(11), and the seven-day period for responding to data requests, see 199 IAC 7.7(2), are impractical in this proceeding. The Board will order that responses or objections to all motions and data requests must be filed or provided within five days of the date the motion is filed or the data request is served. In order to accommodate that abbreviated time frame, parties are directed to serve all motions and data requests by facsimile transfer or electronic mail, as well as by United States mail, on or before the date of filing or service.

Because of the delays inherent in the customer notification process used by Iowa Telecom, the Board has not yet received significant consumer response to Iowa Telecom's proposed rate increase and cannot determine where customer interest in the proposal is greatest. Therefore, consumer comment hearings may be addressed in a separate order.

Finally, Iowa Telecom's prepared direct testimony includes multiple references to a \$110 million "Network Improvement Plan," but Iowa Telecom did not include the plan with its filing. The Board will order Iowa Telecom to file the Network Improvement Plan within ten days of the date of this order.

IT IS THEREFORE ORDERED:

1. An investigation is instituted pursuant to Iowa Code ch. 476 (2001), as amended by Senate File 429 of the 79th Session of the General Assembly, to

determine the reasonableness of the proposed prices filed by Iowa Telecom on May 24, 2002. The tariffs for permanent rates filed by Iowa Telecom and identified as TF-02-225, TF-02-226, and TF-02-227 are suspended. This matter will be identified as Docket No. RPU-02-4, a formal contested case proceeding. The expenses reasonably attributable to this investigation shall be assessed to the parties and participants in this matter in accordance with Iowa Code § 476.10.

2. Iowa Telecom shall file an original and ten copies of its network improvement plan, as referred to on page 15 of the prepared direct testimony of Alan L. Wells, within ten days of the date of this order. If Iowa Telecom intends to file the plan pursuant to a request for confidential treatment, then only three copies of the plan must be filed, at least until the Board rules on the request for confidential treatment.

3. The following procedural schedule is established:

a. The deadline for intervention in this docket shall be July 8, 2002. Any petition to intervene after that date must show good reason for being late and must accept the procedural schedule as set.

b. The parties shall notify the Board prior to August 19, 2002, if they desire a prehearing conference.

c. The Consumer Advocate Division of the Department of Justice and any intervenors shall file prepared direct testimony, with underlying workpapers and exhibits, on or before July 22, 2002. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.

d. Iowa Telecom shall file its rebuttal testimony, with underlying workpapers and exhibits, on or before August 5, 2002.

e. The parties shall file a joint statement of the issues on or before August 12, 2002.

f. A hearing shall be held beginning at 9 a.m. on September 4, 2002, for the purpose of receiving testimony and the cross-examination of all testimony. The hearing shall be held in the Board's Hearing Room at 350 Maple Street, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

i. The parties may file simultaneous initial briefs on or before October 4, 2002.

j. The parties may file reply briefs on or before October 18, 2002.

3. In the absence of objection, all underlying workpapers shall become a part of the evidentiary record of these proceedings at the time the related testimony and exhibits are entered into the record.

4. In the absence of objection, all data requests and responses referred to in oral testimony or on cross-examination, which have not been previously filed, shall become a part of the evidentiary record of these proceedings. The party making reference to the data request shall file an original and six copies of the data request and response with the Board at the earliest possible time.

5. In the absence of objection, when the Board has called for further evidence on any issue and the evidence is filed after the close of the hearing, the evidentiary record will be reopened and the evidence will become part of the record five days after the evidence is filed with the Board. All evidence filed pursuant to this paragraph shall be filed no later than seven days after the close of the hearing in this proceeding.

6. Pursuant to 199 IAC 7.7(2) and (11), the time for filing responses or objections to data requests and motions will be shortened to five days from the date the motion is filed or the data request is served. All data requests and motions should be served by facsimile transfer or by electronic mail, in addition to United States mail.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 17th day of June, 2002.